Original + 1

AirGate Wireless

EX PARTE OR LATE FILED

ORIGINAL

RECEIVED
SEP 24 1997
FCC MAIL ROOM

September 22, 1997

VIA FACIMILE
Chairman Reed Hundt
Commissioner James Quello
Commissioner Susan Ness
Commissioner Rachelle Chong
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

Re: Sticking to the Rules Endorsed by Editors and Entreprenuers WT Docket 97-82

Dear Chairman Hundt and Commissioners Quello, Ness, and Chong:

Attached are a series of editorial columns and commentaries published over the past few months as the FCC has contemplated proposals to deal with C-Block defaults. These articles uniformly encourage the FCC to strictly enforce its auction rules for the C block. The opinions of these noted industry analysts and participants demonstrate that strict enforcement of the rules is the only fair option for all bidders. For your convenience, I have included a brief index and a copy of each article.

In addition, I would like to advise you of AirGate Wireless' opposition to any discount (even for a cash price) beyond the interest rate that the C block notes current carry (6.5 & 7%). Using a discount rate, other than the note rate, to derive a net present value ignores the fact that the terms of the auction were not cash but financed. Even if you assume that a cost of capital for PCS providers would be about 14% (which we do not concede) and use this percentage to derive the net present value cash price, the cash license price falls below the high bids placed by bidders in the auction that did not ultimately win the license under the Commission's rules. In addition, GWI, Inc. indicated in its September 17, 1997 filing with the Commission that a net present value price derived through use of a discount rate of 15% "would still be difficult to finance."

An example demonstrates the fundamental unfairness of such a proposal. If the high bid price for the New York BTA is discounted back at 10%, the per Pop bid price would be $ 45.45. In the auction two bidders exceeded that bid price – North Coast Communications at $ 47.53 Per Pop and Go Communications at $ 49.95 Per Pop. Both North Coast and Go ultimately withdrew from the C block auction without winning any licenses. Go Communications ultimately disbanded, NorthCoast survived to bid in the D,E and F block auction.

While 14% could be the cost of capital for certain bidders to finance debt to cover the license cost, it ignores the fundamental unfairness of changing the rules after the auction. Who

AirGate Wireless, L.L.C. • 6511 Griffith Road • Laytonsville, Md. 20882 • (301) 540-6222 • Fax (301) 540-7930

No. of Copies rec'd 0+1
List ABCDE

will ever know whether Go or North Coast would have been willing to pay more in cash then the discounted net present value? At the time of the auction, their bids certainly exceeded that price.

We encourage you to reject proposals to provide a discounted cash price at a discount rate that exceeds the interest rate on the C block notes. Furthermore, if such a proposal is included in possible relief for bidders, it should clearly indicate that the license holding rules, and unjust enrichment penalties, as well as all other rules applicable to the C and F block licenses remain in tact and enforced.

Sincerely,

Shelley Spencer

Shelley Spencer

cc: David Siddall
Jane Mago
Rudy Baca
Jon Garcia
Evan Kwerel

INDEX OF EDITORIAL AND COMMENTARIES

The Financial Times, Sept. 2, 1997, "US Spectrum"

"It would surely be better to stick with the original deals, force those who cannot pay into bankruptcy and hold a proper post-mortem into why the whole process become such a dog's dinner. That would at least salvage the important principle that a deal is a deal."

Radio Comm. Report, Sept. 15, 1997, "Finding a Resolution for the FCC's C Block PCS Auction Debacle" by Marc Cabi, Sr. Analyst, Deutsche Morgan Grenfell Technology Group.

"Rewarding players who did not have the business acumen to withdraw, once spectrum prices entered the stratosphere, is nothing less than an insult to the wireless industry, as well s the general tax-paying public. The FCC's proposal is being positioned as an attempt to eliminate remaining uncertainties associated with the C block auction and to inject competition in to the marketplace as soon as possible. Ironically, this solution goes against the very spirit of free market competition and the Telecom Act of 1996."

Wireless Week, July 21, 1997, Opinion "Stability the Goal"

"If the FCC shifts the ground rules after the auctions have ended, the integrity of future auctions and the commission's regulatory authority will be damaged and the wireless industry landscape reshaped. Such a shift would be patently unfair to those who bid prudently and, in some cases, exited the auctions out of financial necessity."

RCR, Viewpoint by Tracy Anderson Ford, June 30, 1997

"Go back to the original rules. They were crafted fairly well and every bidder agreed to play by them."

Guest Opinion by John DeFeo (Founder US AirWaves) "C-Block Rules are Rules"

" To allow high bidders who could not raise the capital to meet their FCC commitment to receive favorable treatment violates all rules of fairness. To reward companies who blatantly drove prices so high that rational participants could not see an economic win for their companies or their investors and ultimately drove experienced wireless bidders from the auction is wrong and unfair. To consider rewarding this reprehensible behavior cannot be condoned. Where would this new-found leniency lead in future proceedins? How will future FCC rules be interpreted and followed?"

NatWest Securities Corp. Article, June 26, 1997

"We find it somewhat interesting that the same C-Block bidders who bid up spectrum prices during the auction and forced perhaps more rational bidders to drop out as prices skyrocketed would not be asking the FCC to reduce their bids, lengthen their payment schedules, and lower their interest rates."

RCR, Letter to the Editor by David C. Roberts, AirGate Wireless, July 14, 1997

"The integrity of the auction process is greatly at stake. I always viewed the FCC as having rules, not guidelines when they formulated their orders for these auctions. Any changes at this late date to the C-block rules would send a message to the industry the FCC can be had for the right price!"

RCR, Letter to the Editor by Eric Steinmann, September 8, 1997

"I urge that the FCC start now to live by the rules established at the start of the auction."

LEVEL 1 - 6 OF 169 STORIES

Financial Times (London)

September 2, 1997, Tuesday LONDON EDITION 1

SECTION: LEX COLUMN; Pg. 16

LENGTH: 250 words

HEADLINE: US spectrum
THE LEX COLUMN:

BODY:
US spectrum

The US Federal Communications Commission has got into a fine old twist over the auction of the spectrum for mobile communications two years ago. In theory, this was a clever idea. Selling a scarce resource to the highest bidder not only "raised" $ 10bn; it should also have meant the companies best placed to exploit the licences would win them. In practice, the episode has become an object lesson in how not to run an auction. The main bidders may now be unable to fulfil their side of the bargain.

Financial Times (London) September 2, 1997, Tuesday

The original auction was flawed in two ways. First, the bidders made only minimal upfront payments. In effect, they received giant one-way options; serious dollars would be handed over only once the ventures were more established. Second, the FCC apparently lacks a quick way of reclaiming the spectrum if the payments are not made.

All this is bad enough. But the FCC may make things even worse by reopening the auction. The exact mechanism the FCC is considering is unclear. But companies that have kept to the rules and paid for their licences will rightly feel miffed if their rivals are let off the hook. Indeed, if they sue, they may also defeat the FCC's aim of bringing the spectrum into rapid use.

It would surely be better to stick with the original deals, force those who cannot pay into bankruptcy and hold a proper post-mortem into why the whole process became such a dog's dinner. That would at least salvage the important principle that a deal is a deal.

LANGUAGE: ENGLISH

LOAD-DATE: September 02, 1997

Radio Comm. Report

September 15, 1997

SECTION: News; Pg. 24

LENGTH: 1377 words

HEADLINE: FINDING A RESOLUTION FOR THE FCC'S C-BLOCK PCS AUCTION DEBACLE

BYLINE: Marc Cabi

BODY:

Sometime soon, the Federal Communications Commission is expected to issue guidelines for resolving the financial problems faced by the C-block winners of PCS licenses. Recent news out of the FCC suggests the Commission may elect to radically restructure the debt of these license winners by forgiving a sizable portion of the debts owed to the government. If this scenario proves to true, the FCC, in our view, would essentially be endorsing the reckless bidding practices employed by the most speculative C-block participants.

Rewarding players who did not have the business acumen to withdraw, once spectrum prices entered the stratosphere, is nothing less than an insult to the wireless industry, as well as to the general tax-paying public. The FCC's proposal is being positioned as an attempt to eliminate remaining uncertainties associated with the C-block auction and to inject competition into the marketplace as soon as possible. Ironically, this solution goes against the very spirit of free market competition and the Telecom Act of 1996.

We will attempt to identify the root causes of the problem and then consider the appropriateness of the FCC's proposed solution. We will detail our own view as to how the C-block debacle could be resolved equitably-by holding a re- auction of the C-block licenses.

C-block participants ignored market-setting valuation comparisons at their own peril

Presumably, entrepreneurs participating in spectrum auctions should have utilized the A- and B-block results for market-setting valuation comparisons. In fact, the A-and B-block licenses were awarded under even more intense competition, as the process included two potential licenses for each market backed by deep corporate pockets.

By electing to ignore the experiences of the leading wireless players in the A and B blocks, the C-block bidding process degenerated into a speculative frenzy, which in many cases resulted in an average price per-POP (population equivalent) more than triple the amount paid by A- and B-block players for the same amount of spectrum. In fact, a number of the more savvy C-block bidders (who actually believed that the FCC would expect payment on these commitments) cited the gargantuan disparity between the market comparisons as one of the primary reasons for dropping out of the bidding process, once valuations approached uncharted waters.

John DeFeo, formerly head of U S West's wireless business, pulled his company U.S. Airwaves from the auctions once spectrum prices skyrocketed. His analysis indicated that paying for the license and having enough capital left for network construction would be difficult, as bid prices continued to rise. Anticipating that markets might shudder at the slew of wireless companies seeking funds from the investing public, he exited the auction.

C-Block players failed to prepare adequate business plans

Unlike their A- and B-block counterparts, the C-block bidders also failed to secure crucial financial guarantees ahead of the bidding process. It seems obvious that before a proprietor buys his dream business, he should first have the resources in place to pay the seller. We remain befuddled as to why the C-block bidders did not line up financing before entering the bidding. We can only speculate that since both market-and vendor-oriented financing was readily available to companies such as Sprint PCS in the previous auctions, the C-block players baked-in overly aggressive estimates of financing resources for themselves.

We can easily understand how this occurred, given the lucrative packages a number of players secured. However, most A and B players were awarded extensive equipment financing packages because of their ability to leverage a well-known brand name, once commercial service was deployed. C-block participants, in contrast, would be relatively unknown entities to the market and they would be forced to compete with the majors. In addition, the A- and B-block players had previous wireless experience and substantial financial flexibility relative to the C-block. In our view, those C-block players now in trouble should not have bet the farm on a public offering, assuming should the deal not happen, they could petition Uncle Sam for forgiveness and be allowed into the PCS arena anyway.

The FCC has no viable option to collect what is owed by the bidders

In our view, forgiving the debt of the C-block licensees is neither a viable business idea, nor is it an equitable solution to other interested parties-taxpayers; bidders who had paid in full for spectrum purchased; and a government attempting to balance its checkbook. In our view, the FCC has three solutions to this problem. It is important to remember, however, that not one of these will repay the $10 billion-plus that was initially bid by the C-block license holders.

Option 1: forgive the debt

The FCC could forgive up to 80 percent of the debt for the current license holders. This effectively reduces the amount to be received by the Fed to approximately $2 billion, less than what the A-and B-block returned. Of course, this solution subsidizes the most speculative C-block license holders, who entered the process with inadequate business plans. It also penalizes the smart bidders like John DeFeo-who walked away from the bidding process, once the bids reached uneconomic levels-by denying them the opportunity to compete in the wireless arena, a discriminatory state of affairs in our opinion. For example, we do not believe that it is fair for the FCC to subsidize NextWave (which is backed by Qualcomm and major Korean multinationals, which reportedly have provided more financing than foreign-ownership rules allow) for bidding in excess of $4 billion, well beyond the company's financial capacity, in our view. Curiously, we have never met a small business that had the capital backing to fund a $4 billion start-up.

Option 2: relax foreign ownership rules

It is widely accepted that the FCC will relax foreign ownership rules in 1998; however, the Commission could decide to relax these rules earlier, allowing the entrepreneurs to seek greater foreign investment capital immediately. Foreign investors would love to gain a share of the returns available from a lucrative, supposedly deregulated, telecommunications market in the United States.

Although this solution would provide additional capital for the C-block players to build out their networks, it goes against the FCC's original intent to create a competitive environment in the wireless space, by setting aside license opportunities specifically for small business and entrepreneurs that major players-either domestic or foreign-could not acquire. Relaxing the restriction on the use of foreign capital would effectively hand-over valuable airwaves to non-U.S. entities and would certainly ruffle feathers in the United States. Furthermore, there are few guarantees that opening the gates to foreign money would make the FCC recoup potential losses from defaults.

Option 3: re- auction the C-block licenses-the only equitable option

We believe the FCC should allow defaults to occur, repossess the licenses, and then re- auction them. This solution would provide an equitable, free-market approach to the problem and be in line with the spirit of the Telecom Act of 1996. The one hurdle the FCC will need to cross is how to keep licenses from being locked up in bankruptcy courts so that they can be made available to financially sound bidders.

We believe that there are truly entrepreneurial entities throughout the country that would like to secure access to the C-block spectrum, and that expect to pay for the licenses in full. In our view, the wireless market appears to have sufficient momentum to re-attract interest in these licenses. Although the experience of the C-block auction may live on as a bad memory to some, at least our government will have taken one giant step toward embracing the ideals of fiscal responsibility and free market tenets.

Marc Cabi is a senior analyst at Deutsche Morgan Grenfell Technology Group. Cabi has covered the wireless telecom equipment sector since 1989 and is a Greenwich Associates and Institutional Investor ranked analyst.

Radio Comm. Report, September 15, 1997

GRAPHIC: Cabi

LANGUAGE: ENGLISH

LOAD-DATE: September 17, 1997

Opinion

Stability The Goal

Now that grievances have been aired at a public meeting on the subject and reply comments have been filed, the FCC should act swiftly on C-Block debt restructuring. Despite pressure to the contrary, the commission should stick with its initial auction rules, insist on collecting debt from licensees and re-auction licenses of those who don't pay. The cold business realities resulting from such a policy must occur.

The FCC can let licensees change from quarterly to annual repayment of their 10-year loans. That move will have no material effect on the conduct of future auctions, nor will it increase overall financial and business uncertainty in wireless. However, if companies that overbid don't experience the natural consequences of default and/or bankruptcy, the long-term effects on the industry are more negative than relief proponents acknowledge.

The FCC's mandate under the 1996 Telecommunications Act was to promote competition, not protect the interests of individual competitors. Auction rules and payment procedures were clearly spelled out. Some analysts, notably Colette Fleming and Edward Greenberg at Morgan Stanley, sounded alarms about the risky nature of C-Block investments. One of those warnings, issued May 2, 1996, is worth repeating. "[T]hose entrepreneurs who take advantage of the full amount, or close to the full amount, of FCC financing will likely be leveraged to their teeth."

If the FCC shifts the ground rules after the auctions have ended, the integrity of future auctions and the commission's regulatory authority will be damaged and the wireless industry landscape reshaped. Such a shift would be patently unfair to those who bid prudently and, in some cases, exited the auctions out of financial necessity.

Decision making on the C-Block issue will resemble the proverbial coyote that gnawed its own leg off to escape a trap. Proponents of various forms of relief can't agree on which form is best. Opponents, including incumbents and C-Block licensees who dropped out of bidding or are currently building out, are riled. Parties with licenses in other bands have expressed displeasure. PrimeCo Personal Communications LP and legal heavyweight BellSouth Corp., which have remained quiet on the issue until the reply stage, have been stirred. Financiers claim the FCC must take all-or-nothing action to reduce the net present value of the debt to $10 per POP or lower, and even then, financing could be a challenge.

At one time, the C-Block held the potential to achieve a commendable, if elusive, goal: encouraging women and minority ownership in telecommunications. However, momentum for that goal disappeared after the Supreme Court's *Adarand* decision, which struck down affirmative action set-asides. The C Block became a small business and entrepreneurs' block, with all the possibilities and problems such an opportunity embodies.

Given the trend toward megamergers, especially the SBC Communications Inc.-AT&T Corp. proposal killed a few weeks ago by justifiable antitrust outrage, the story of underfinanced C-Block licensees is particularly regrettable. Consumers–and incumbent providers–need genuine competition from financially viable licensees with solid business and marketing plans. If the real point is to increase economic growth through the fast deployment of wireless services, as FCC Chairman Reed Hundt noted last week in a C-SPAN interview, the commission should be most concerned with creating stability in the auction rules.

Although I take issue with accusatory language in Nextel Communications Inc.'s reply comments, I agree with the company's assertion that a commission decision to *enforce* its rules is significantly more defensible than a commission decision to arbitrarily apply them only to those licensees who choose to follow them (Nextel's emphasis). W

EDITOR

...will resemble the proverbial coyote that gnawed its own leg off to escape a trap

Barbed

JUNE 30, 1997

RCR 6-30-97

VIEWPOINT

By Tracy Anderson Ford

The PCS companies now proposing that the Federal Communications Commission change the rules to allow them to stay in business are proposing options that any creditor in the business world would not consider.

You buy a new car. You can't pay for your new car, someone comes and takes the new car away: It's called repossession, and it's not nice, but it is a reality when people get themselves in too much debt. This often happens when a person buys a car he or she cannot afford.

In the real world, no creditor wastes his time listening to arguments about how the value of the car has depreciated since it was driven off the lot and that the car dealer won't be able to recoup the money it originally could have made when the too-much-in-debt person promised to buy the car—even when that argument is true.

In some cases, the car dealer will refinance the car to enable lower payments to help the too-much-in-debt-car-owner-wannabe still keep the car. But in those situations, the car dealer makes even more money from the wannabe-car-owner.

Perhaps there are minor adjustments that can be made to the PCS license rules to aid all companies that have paid for licenses. But rules have to be applied uniformly, even for companies without financial problems.

It is sad when dreams go unrealized. It is sad that NextWave Telecom Inc. and Pocket Communications Inc. are in financial straits. It is sad that, for the most part, only established telecommunications players had the resources to buy A- and B-block PCS licenses.

But it was sad that BDPCS Inc. couldn't make its first quarterly interest payment and lost its licenses.

Why are the companies in trouble today any different than the companies that were in trouble a year ago? BDPCS' only fault was that it was first to default.

Go back to the original rules. They were crafted fairly well and every bidder agreed to play by them. Some companies have even able to begin offering PCS service under them. And some day, some companies may even be able to profit under them.

Then start the reauction.

No one can accurately predict what prices defaulted licenses can fetch.

Because even if the car dealer can't get the original price on the now-repossessed car, he can still make a profit.

10:32am EDT 26-Jun-97 NatWest Securities Corp (JEFFREY HINES 212-602-5741) ATI
WALL STREET JOURNAL REHASHES CONTINUED DELAYS FOR C-BLOCK BIDDERS...
Wireless Telecom

Jeffrey L. Hines Christopher M. Larsen
(212) 602-5741 (212) 602-5490

26-June-97

Wireless Update
wall street journal reHASHES continued delays for c-block BIDDERS
- can only be positive for incumbents

KEY POINTS
* The Wall Street Journal article (26-June) discussed the financing problems which continue to plague the majority of C-block PCS bidders.
* The FCC has not yet decided how to handle the "matter" of the C-block bidders who overbid for their spectrum.
* We find it somewhat "interesting" that the same C-block bidders who bid up spectrum prices during the auction and forced perhaps more rational and credible bidders to drop out as prices skyrocketed, would now be asking the FCC to reduce their bids, lengthen their payment schedules, and lower their interest rates.
* To the extent that C-block delays continue, one could conclude that the competitive landscape for wireless communications will not become as heated as quickly as previously anticipated.
* We believe that investors should continue to focus on those Wireless Service stocks most insulated from the Four C's. Our top Wireless Service picks are Clearnet, Nextel, PriCellular and Western Wireless.

Discussion: Wall Street Journal article rehashes the continued delays for the C-block bidders - can only be positive for incumbents
The Wall Street Journal article (26-June) discussed the financing problems which continue to plague the majority of C-block PCS bidders. As we have noted previously, the C-block bidders bid, for their 30 MHz of spectrum, roughly the same amount that the A-, B-, D-, E- and F-block bidders bid for 90 MHz of spectrum; i.e., C-block bidders on average face 3x the entry cost versus their PCS cousins to get into the wireless game. Given this on average significantly higher entry cost, it is unclear why investors would choose to back a typical C-block bidder over say an A- or B-block bidder - and the lack of any significant C-block financings would tell us that most investors also feel this way. Given the relatively "high profile" defaults / bankruptcy's of bidders like Pocket and BDPCS (two C-block bidders), which were related due to among other things their inability to raise additional capital, we would not be surprised to see other C-block winners follow this route.

As noted previously, the FCC has not yet decided how to handle the "matter" of the C-block bidders who overbid for their spectrum. We find it somewhat "interesting" that the same C-block bidders who bid up spectrum prices during the auction and forced perhaps more rational and credible bidders to drop out as prices skyrocketed (does anyone remember GO! Communications?), would now be asking the FCC to reduce their bids, lengthen their payment schedules, and lower their interest rates. However, as the matter of spectrum auctions has now become "political", we suppose just about anything could happen. Two possible scenarios include:

1. Demand immediate payments under the original terms. This would likely cause most of the C-block to default on their bids, but the licenses could be re-auctioned. The problem with this scenario for the FCC is that the re-auctioned prices would certainly be lower than what the C-block bidders bid. Bankruptcy proceedings could tie up re-auctions.

2. Grant some type of payment relief; e.g., extending or deferring interest payment schedules, adjusting principle payments (i.e., prices bid), lowering interest rates, etc. While this would perhaps keep more of the original C-block bidders in the game, certainly this would seem to be completely unfair to those who dropped out as bidding became excessive. One could imagine a legal nightmare erupting under this scenario.

Guest Opinion

C-Block Rules Are Rules

By John DeFeo

The FCC has a problem with C-Block personal communications services licenses that is partially of its own making. By considering dramatic changes in its C-Block rules, the FCC is in danger of compounding the problem and establishing a dangerous regulatory precedent.

As an advocate for PCS since 1989, I lobbied actively for rules to create a new wireless entrepreneurial opportunity. As a founder of U.S. AirWaves, a company that bid in the C-Block auction, my team and I observed the entire rulemaking process firsthand. Our company spent in excess of $8 million of our investors' money in this journey. The majority of that money was spent to ensure compliance with FCC rules. Our 13 staff members were all experienced industry professionals and, with top legal counsel, we successfully navigated the FCC's rule maze.

We made the largest deposit in the C-Block auction but withdrew when bids reached uneconomic levels. The financial and emotional capital that our company and its investors contributed in the pursuit of the C-Block license was enormous. We all understood that this was an entrepreneurial opportunity with high risks. Strict adherence to FCC rules was an accepted part of this endeavor.

When the deposits were first received, it was clear to us that too much money was chasing one set of licenses. Bid levels, which quickly approached three times the prices of the A- and B-Block licenses, made no economic sense. The FCC, however, declined to

DeFeo

use its authority under its own auction rules to dampen this ardor. The agency's traditional role of regulator and protector of the national radio spectrum resources was subverted to fund raiser for the U.S. Treasury.

The FCC has long maintained a tradition that "the rules are the rules." The commission provides an elaborate process involving all interested parties to determine rules. The journey to the C-Block auction was consistent with the FCC's long-standing approach. For Reed Hundt to proclaim that the public interest and a spirit of greater competition now justify the FCC's departure from a well- and long-established process is unconvincing. By suspending payments due from the C-Block high bidders, the FCC has already deviated from this principle. This behavior must stop.

To allow high bidders–who could not raise the capital to meet their FCC commitment–to receive favorable treatment violates all rules of fairness. To reward companies who blatantly drove prices so high that rational participants could not see an economic win for their companies or their investors and ultimately drove experienced wireless bidders from the auction is wrong and unfair. To consider rewarding this reprehensible behavior cannot be condoned. Where would this new-found leniency lead in future proceedings? How will future FCC rules be interpreted and followed?

The current FCC rules for the C Block require that if payments are not made, licenses are returned and auctioned. Those are the rules. If the FCC is not prepared to enforce those rules, it should discount and sell the C-Block license payment obligations and then let the market decide how to treat bidders fairly. Any major rule changes that blatantly compromise the FCC's integrity would be a greater loss to the American public. ■

John DeFeo is currently CEO, COO and vice chairman of Multiple Zones International Inc., a Renton, Wash.-based global direct marketer of microcomputer products. Previously he served as president and CEO of U S West NewVector Group and headed U S West Spectrum Enterprises, with cellular interests in Eastern Europe and Russia. DeFeo was a member of the board of the Cellular Telecommunications Industry Association for nine years.

Editor's Note: The opinions expressed in guest editorials are not necessarily those of the *Wireless Week* staff. However, the newspaper's policy is to stimulate discussion on perspectives of interest to the entire wireless industry. Send comments, rebuttals and letters to: Editor, *Wireless Week*, fax (303) 399-2034 or e-mail jlockwoo@chilton.net. Letters may be edited for length.

Dear Editor:

Crop Quest is
sulting firm that
Plains states. W
full-time agrono
agriculture com
areas. Each of t
vehicles are eq
phone and a sp
radio unit for di
All of the Info
cerning the Univ
talks about how
are having to pa
into the fund ar
draw on that fu
understand that
paying, not the
In 1996 fisca
spent $50,201
cellular commu
so we could off
the type of serv
us. We already
state and feder
[amount]. This
cent would hav
liability by anot
I would projec
for 1997 fiscal
of $60,000. Th
Crop Quest wou
additional $5,9
USF. I see no w

Rema

"We suppo
personal co
When you h
out right av
relief is be
Consortium.

Sales and Marketing Personnel

PCS licensee says keep auction rules

Dear Editor:

In 1993, I resigned from a corporate engineering position to become part of a start-up venture eager to participate in broadband PCS auctions. My wife remembers it well!

After the FCC postponed the May 1994 auction process indefinitely, our company size and investor interest dwindled. Once the A- and B-block auctions got underway with the promise of the C-block auction to immediately follow, we once again found new interest from investors. But the litigation started and the C-block auction was delayed and delayed and delayed. Even so, we survived on consulting revenues and venture capital investments. As late 1995 approached, our company was cautiously optimistic as we finalized a relationship with a large investor who facilitated a down payment of $20 million.

As the auction began, we felt elated that what had been only a dream two years earlier was now coming to fruition. This dream died in round 42 of the C-block auction when our company withdrew due to what we, as well as our investors, believed were outrageously high prices for the licenses being offered. Given what everyone had been through to get to this point in the process, this was a very emotional decision. But, we felt it was the correct one from a business point of view though questions remained. When would other auctions be held? Would our large investors wait for these opportunities? Why was there such a discrepancy in how we valued licenses in our business plans vs. how other bidders, who were continuing to bid, valued them? How would the FCC deal with defaulting bidders?

At the end of the auction process, many of the experienced people who made up our company moved on to other ventures and with them the hopes, dreams and opportunities that appeared so achievable at the start of the auction process came to an end. With our large investor departed, I and a few others remained with the hope that default and the D-E- and F-block auctions would follow quickly. Both did. Our company bid in the C-block reauction with the same results as in the previous auction. As the D-, E- and F-block auctions approached, investors became difficult to find due to the questions surrounding the prices paid for C-block licenses.

With the sole support of our venture capital group, broadband auction. Our company was a successful high bidder for four F-block licenses that we believed were good markets at a fair price. We felt somewhat vindicated. We had made a wise business decision to leave the C-block auction and had persevered to win licenses in the F-block. The difference in our F-block license costs and the C-block licenses in our markets was substantial. Investors and vendors alike gave favorable approval to our business plans.

At this point, my story takes what is to me an unbelievable turn. Many of the C-block high bidders are now looking to the FCC for debt restructuring and/or cancellation because the prices they paid for their C-block licenses are preventing them from being financed. Many complain of "market melt down." I believe that the prices paid in the C-block auction actually propagated a depressed market for telecom stocks. Maybe a self-fulfilling prophecy? At the FCC forum on C-block debt restructuring, some top financial people said C-block license winners were fundable at some point during the auction process. Though now, only 14 months later, these same financial investors are stating that the license debt needs to be written down to the tune of 75 to 80 percent. What a drastic change in outlooks! I suspect many of these business plans were never fundable in the first place given the prices paid for the licenses.

It appears though that the FCC is open to some form of debt restructuring even after stating more than once: "We do not want to interfere in the market place," "We guarantee opportunity, not success," "We will go after licensees who default on their auction payments, cancel their licenses and re-auction the affected spectrum." The point I was missing at the FCC forum was the fact I believed that my company made a wise business decision to leave the C-block auction and wait for future opportunities, but if the FCC makes significant changes to the license payments, they will be sending my company a different message. I also hear the financial community stating how important a good management team is to its investors. I heard stated at the FCC forum is the fact that with a significant license debt restructuring, these financial investors would be willing to invest in these same companies whose management placed what appear to now be "fatal" bids.

To me, the integrity of the auction process is greatly at stake. I always viewed the FCC as having *rules*, not *guidelines* when they formulated their orders for these auctions. Any changes at this late date to the C-block rules would send a message to the industry that the FCC can be had for the right price! The license prices (values) were established by the market when the respective auctions were held. If the FCC intervenes on behalf of the C-block licensees and re-establishes a market value (price) for these licenses, what effect will that have on other broadband PCS licenses and company values? Justice and fairness are hard words to define in our world today, but it seems to me that what the FCC is contemplating is neither. What fairness is there for my company along with approximately 170 others if significant reductions are made to the debt of current C-block licensees? What justice is there in the fact my company, which waited and won F-block licenses, will look significantly different to investors if the C-block licenses debt is restructured?

I am not looking for sympathy because I know there are hundreds of stories similar to mine. What I would like to accomplish with this letter is simply to have all sides of the issue known. Not just the incessant crying of overzealous bidders who have, and continue to make a mockery of the FCC and the PCS industry.

David C. Roberts
AirGate Wireless

Nortel to establish Brazil operations

SAO PAULO, Brazil — Following BellSouth Corp.'s announcement that it has chosen Northern Telecom Inc. to provide infrastructure for its network in Sao Paulo, Brazil, Nortel said it will establish manufacturing operations in Brazil to respond to the enormous growth of the wireless market.

The company said it will manufacture digital wireless telecommunications systems in Campina, Sao Paulo State, with Promon Eletronica, Brazil's leading engineering firm, beginning in the fourth quarter.

Nortel's initial investment will total more than $25 million in manufacturing and $100 million in associated operations, including training and research and development.

The company said it plans to manufacture Time Division Multiple Access and Code Division Multiple Access wireless radio base station equipment. The two technologies are making strong inroads in Latin America.

RCR

The Weekly Newspaper for the Wireless Industry

RCR Publications

777 E. Speer Blvd.
Denver, CO 80203-4214
(303) 733-2500
Editorial Fax (303) 733-9941
Advertising Fax (303) 733-2244

e-mail & www site

www.rcrnews.com
Press releases: news2rcr@crain.com
Letters to the Editor: talk2rcr@crain.com

Denver

Editor Tracy Anderson Ford
Managing Editor Cristina Battista Eichner
Copy Editor Kelly Pate
Reporters
Lynnette Luna
George Lurie
Antony Bruno
Editorial Assistant Kristen Smithberg
Creative Director Jeff Hepp
Administrative Assistant Tomee Crespin
Business Manager Karen Peerless
Advertising Assistant Shelley DeAngelis
V.P. & Publisher John Sudmeier

Washington, D.C.

Bureau Chief Jeffrey Silva
Reporter Debra Wayne
814 National Press Building
Washington, D.C. 20045-1801
(202) 662-7213
Fax (202) 638-3155

New York

Bureau Chief Elizabeth V. Mooney
10010 Ascan Ave.
Forest Hills, NY 11375-6812
(718) 268-7874
Fax (718) 268-7885

Chicago

Crain Communications Inc.
740 N. Rush St.
Chicago, IL 60611
Fax (312) 280-3174

Circulation

Circulation Manager Barbara Kisch
PO Box 07939
Detroit, MI 48207-0939
(313) 446-0478
Subscriptions: (800) 678-9595

Display Advertising

Director of Advertising Tom Govedarica
Chicago: (312) 280-3143
Fax (312) 280-3174
email: tgovedar@crain.com
Western Sales Manager Mary Gafkjen
Denver: (303) 698-7605
Fax (303) 733-2244
email: mgafkjen@crain.com
Northern Sales Manager David R. Jern
Chicago: (312) 280-3103
Fax (312) 280-3174
email: djern@crain.com
Southern Sales Manager Pegeen Prichard
Chicago: (312) 280-3122
Fax (312) 280-3174
email: pprichar@crain.com

Classified Advertising

Classified Sales Manager Dena Falkner
Denver: (303) 698-7610
email: dfalkner@crain.com
Classified Representative Alexsandra Lemke
Denver: (303) 698-7615
Fax (303) 733-2244
email: alemke@crain.com

Membership

Business Publication Audit
American Business Press

BPA

AD INDEX

FCC alienates entrepreneurs

SEPTEMBER 8, 1997

Dear Editor:

I would like to send a short note in support of the letter from David Roberts in your July 14 issue. His experiences were remarkably similar to our own. If the Federal Communications Commission were to enforce its rules and retake and re-auction the defaulted C-block licenses, it is likely that they may find a few real entrepreneurs willing to come back and bid in a financially responsible manner.

Should they not choose to do so, I ask what part of their mission are they trying to serve? The greatest beneficiary of their action will be a company that has an excessive foreign ownership interest. There is testimony that even the extreme financial benefits that the FCC is discussing conferring on the entity will not ensue it financing for construction and operation of its network. As I understand, the FCC's mission on the C-block auction is to promote competition in wireless telephone markets and to facilitate access to this market by small business entities. Neither mission will be served.

I also would like to raise the issue of affect on other primarily smaller C-block license holders. They had a reasonable expectation that the larger neighbors in their frequency would be under construction now, what the market values of their license would be, being validated or not. They also would expect that they would have a neighbor focused on the issues they need to deal with. So again the smaller entities trying to build their markets are adversely affected by the FCC's failure to fairly implement its rules.

The FCC similarly disadvantaged the responsible bidders in the IVDS auction by both letting the largest markets defer their buildout requirements and by leaving the next largest group—which largely defaulted at auction in limbo—not reauctioned. The burden then fell on the smallest players, who bought expecting to be industry followers, to then start an industry and the industry never got off the ground.

The message seems to be clear to me that if you are a financially responsible small business entity an FCC auction is to be avoided. In the auctions subsequent to the C-block the effect of this message has been clear. I urge that the FCC start now to live by the rules established at the beginning of its auctions.

Eric Steinmann
KEC Partnership